

**MINUTES OF THE SPECIAL MEETING OF THE COUNCIL
OF THE CITY OF GLENDALE, MARICOPA COUNTY, ARIZONA,
HELD TUESDAY, JANUARY 26, 2006, AT 2:30 P.M.**

The meeting was called to order by Mayor Elaine M. Scruggs, with Vice Mayor Thomas R. Eggleston and the following Councilmembers present: Joyce V. Clark, Steven E. Frate, David M. Goulet, and Manuel D. Martinez. Councilmember H. Philip Lieberman was absent.

Also present were Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk.

1. DEVELOPMENT AGREEMENT – AMERICAN AUTOMOBILE ASSOCIATION

Mr. Art Lynch, Deputy City Manager, Ms. Karen Thoreson, Interim Economic Development Director and Mr. Craig Tindall, City Attorney, presented this item.

This is a request for the City Council to direct the City Manager to enter into a development agreement with the American Automobile Association (AAA), which will be locating a regional corporate office within the Talavi Business Park and creating 1,125 – 1,400 new jobs in Glendale.

The agreement with AAA will enhance the quality of life for Glendale residents by providing a vibrant and viable reuse for a currently vacant 200,000 square foot facility located within the Talavi Business Park. AAA will bring a corporate presence and new employees to Glendale. This new addition will be an excellent fit within the business park whose other major tenants include Bechtel, Arizona Federal Credit Union, California Casualty Management Company, Federated Insurance, Progressive Casualty Insurance, and Cosmopolitan Medical Services.

This agreement encourages economic development activity and creates new jobs in the community. The addition of new high-quality jobs promotes financial stability for the city and creates a positive image for Glendale. This endeavor creates new public and private partnership opportunities for the city.

AAA, in conjunction with the Greater Phoenix Economic Council, identified the City of Glendale as the preferred community for a regional corporate office. Glendale responded to a January 5th, 2006 proposal from AAA and worked cooperatively with a number of regional partners to develop a response to the proposal. Regional partners included the Greater Phoenix Economic Council, Maricopa Community Colleges, Arizona Department of Commerce, and Maricopa Workforce Connections. After the proposed initial agreement terms were discussed, AAA indicated a desire to enter into a long-term lease for the former Honeywell facility located within the Talavi Business Park.

AAA is a century-old company that provides a diverse line of services, including insurance, travel, automotive and financial services to its members. The development of an AAA regional corporate office at the Talavi Business Park involves a partnership between AAA of Arizona and the California State Automobile Association (CSAA). CSAA currently serves as AAA for Northern California, Nevada and Utah, has annual revenues of \$2.5 billion, and insures more than 2 million vehicles in Northern California and Nevada. The AAA regional corporate office at Talavi will employ between 1,125 – 1,400 employees and contractors within three years. Initial occupancy of a temporary facility will take place in the first quarter of 2006 and the average salary of employees is anticipated to be \$50,000, plus benefits.

It is estimated that AAA will provide \$42.1 million in capital investment. Over 10 years, it is anticipated that Glendale will see direct revenues of \$12 million and the regional direct benefit is estimated at \$1.8 billion.

The establishment of AAA's regional corporate office in Glendale will create new, high-paying job opportunities for Glendale residents. Locating the corporate office within a currently vacant facility promotes the reuse of a 200,000 square foot building in the Talavi Business Park and maintains the business park's vibrancy and will help support the Bell Road retail and restaurant establishments.

The addition of a new corporate presence in Glendale and in the Valley will serve as a catalyst for Glendale to attract more companies of this caliber. This new addition to the Glendale community will generate an increase in spending by the company, which will create a substantial positive economic impact for Glendale and other West Valley communities.

Performance-based incentives from the City of Glendale to AAA will be paid over ten years and will not exceed \$2,704,300. The city's financial contribution will assist in a number of areas, including job credits, fee waivers, expedited plan review, tenant improvements, parking grants, tax abatements, tenant improvements, and temporary office space.

During Fiscal Year 2005-06, it is anticipated that no more than \$1,000,000 will be expended to further this project. These funds are available in the Rebates and Incentives Division and in the Redevelopment Land Acquisition Division. The remaining performance-based incentives will be budgeted in future fiscal year's operating budgets through the use of revenue rebates, supplemental requests and/or general fund contingency requests.

Grants	Capital Expense	One-Time Cost	Budgeted	Unbudgeted	Total
			X		\$1,000,000

Account Name, Fund, Account and Line Item Number:

Rebates and Incentives, 01-5450-7330 - \$500,000

Redevelopment Land Acquisition Division, 01-5452-7330 - \$500,000

The recommendation was to waive reading beyond the title and adopt a resolution authorizing the City Manager to enter into a development agreement with the American Automobile Association (AAA), which will be locating a regional corporate office within the Talavi Business Park and creating 1,125 – 1,400 new jobs in Glendale.

Mr. Lynch said AAA conducted extensive research when considering locations for their new corporate office before ultimately selecting Glendale. He expressed his opinion AAA will bring; not only strong jobs, but also new jobs that enhance work opportunities within Glendale. He said, in addition to an average salary of \$50,000 per year, employees would also receive benefits. He noted some salaries would be as high as \$200,000. He stated AAA has an aggressive hiring scheduling, with up to 490 employees the first year and up to 750 employees the second year. He stated they would hire a minimum of 1,150 employees by the end of their third year. He displayed pictures of the site and a depiction of the proposed building.

Mr. Lynch explained AAA was established in 1900 and provides automobile, insurance, financial, and travel services. He stated they would begin bringing people in as early as February and hope to open June 1. He said the company insures and provides services to over 2 million people.

Ms. Thoreson said Glendale should be proud to have been selected by AAA for their new corporate headquarters. She elaborated on the economic benefits AAA will bring to Glendale, including \$42.1 million in new capital investment, which will convert into at least \$12 million in direct taxes to the City of Glendale. She said the agreement is estimated to have a \$1.8 billion positive impact on the region over the 10-year term of the agreement. She said the value of the proposal could go up to \$2.7 million over ten years so long as the company meets certain performance criteria. She said the incentives include fee waivers and expedited processing, tenant improvement dollars, tax abatements, and help with temporary office space. She stated, in summary, Glendale will receive over \$12 million in direct revenues over 10 years, the performance-based proposal is valued at \$2.7 million over the same 10-year period, and the money for this and next fiscal year is already in the budget. She stated the net return to Glendale is valued at \$9.3 million over the ten-year period. She said the company wants to begin occupying their temporary office space by mid-February and construction should begin at the same time. She stated they are expected to occupy their permanent facility by June 1.

Mr. Tindall stated the agreement sets a baseline for employment at the facility at 1,125 employees over the next three years. He said it also requires that that level be maintained for ten years. He stated it was a pleasure to work with AAA and their representatives and he is very comfortable with the contract.

Vice Mayor Eggleston asked why half of the total incentives would be expended in the first year. Mr. Tindall said the incentives are available to the company for the next three years because it will take some time for the company to bring the required number of employees into the valley.

Mayor Scruggs asked if the incentive is paid on the definition in 3.1.3 of a qualified full-time position with qualifying salary. Mr. Tindall responded yes, explaining the positions that qualify for the Employment Development Incentives are those with salaries of \$50,000 or more, exclusive of benefits. Mayor Scruggs said the fact that the salary requirement is exclusive of benefits is a key factor. Mr. Tindall agreed.

Mr. Barry Broome, Executive Director of the Greater Phoenix Economic Council, congratulated the city, stating Glendale is doing a tremendous job of not only building a great city, but also a great region. He thanked California AAA for their investment. He said they have worked on a number of projects and have never encountered a more succinct, aggressive and intuitive leadership team than they found in Glendale's City Manager, Ed Beasley, and his team. He stated, while GPEC is a regional group and they encourage communities to think and act as a region, he is proud of Glendale specifically and is glad to be part of Glendale's team. He commended the city for the work being done at Westgate and at the 101 and for running their government like a business.

Mr. Tony Durante, Vice President of Administrative Services and Chief Procurement Officer, California State Automobile Association, said they are excited to be in Glendale, noting their effort to locate their corporate office actually started in January 2005. He said it was truly the overall experience in terms of city's pro-business attitude, workforce availability, and responsive leadership team that lead to the agreement before Council. He stated they look forward to a very prosperous, fruitful and long-term relationship.

Resolution No. 3922 New Series was read by number and title only, it being **A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING AND DIRECTING THE ENTERING INTO OF A DEVELOPMENT AGREEMENT WITH CALIFORNIA STATE AUTOMOBILE ASSOCIATION INTER-INSURANCE BUREAU; AND DIRECTING THAT THE DEVELOPMENT AGREEMENT BE RECORDED.**

It was moved by Frate, and seconded by Martinez, to pass, adopt and approve Resolution No. 3922 New Series.

Councilmember Frate said this is a great day for Glendale, particularly for his Sahuaro District, where the facility is located. He stated he was interviewed by newspapers when the facility first became vacant and he told them the Bell Road corridor is vibrant and dynamic and the Talavi Business Park is a highly desirable location. He said he knew an opportunity would come; although it came forward faster than he expected. He thanked GPEC and everyone involved on both sides.

Councilmember Martinez welcomed and thanked the city's new partners for choosing Glendale. He said Glendale is fortunate to have a wonderful staff that is willing to work day and night to secure projects that will benefit the city. He said the city is pro-business and they encourage more businesses of this type to come to Glendale.

Councilmember Clark welcomed California AAA, stating she is delighted with their choice to settle in Glendale. She thanked GPEC and city staff, in particular, stating it is not the first wonderful project Mr. Beasley and his team has brought to Glendale. She said the Council recognizes how hard the leadership team works to bring quality projects to Glendale and she is truly appreciative of their efforts.

Councilmember Goulet said determining the appropriate mix of things that will make a community successful is one of the Council's most daunting responsibilities. He stated 2006 will be an incredible year for the city and the city will change remarkably by the year's end. He expressed his opinion Glendale has the finest public safety personnel in the state and the greatest management team anywhere. He welcomed California AAA to Glendale.

Vice Mayor Eggleston also welcomed AAA to Glendale, stating it is the beginning of a beautiful friendship. He thanked Mr. Broom and city staff for all they did to bring the project to fruition.

Mayor Scruggs said she would hold her comments until the press conference following the meeting.

Upon a call for the question, the motion carried unanimously.

MOTION TO EXCUSE COUNCILMEMBER LIEBERMAN

It was moved by Eggleston, and seconded by Clark, to excuse Councilmember Lieberman from today's Council meeting. The motion carried unanimously.

CITIZEN COMMENTS

There were no citizen comments at the meeting.

COUNCIL COMMENTS AND SUGGESTIONS

No comments were made.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:10 p.m.

Pamela Hanna - City Clerk